

10 June 1955

OSD, ONI Declassification/Release Instructions on File

MEMORANDUM FOR: Ch/C/RR

SUBJECT : Draft of Third Annual Progress Report of EDIC

1. Attached for your consideration is a draft of the Third Annual Progress Report of the Economic Defense Intelligence Committee. After completing this draft I realized the paper was too long, possibly the result of having prepared it in narrative chronological form. I believe, however, that it covers the most significant activities which have engaged EDIC attention during the past year.

2. To facilitate EDIC and IAC review of this paper, while retaining its chronological character, the substance of several major topics might be incorporated in Tabs.

3. Acting Chief, D/E has indicated that he will review and make comments on this draft. After you have had an opportunity to review this paper, in light of his comments, a final draft will be prepared for EDIC distribution. EDIC discussion of the paper not earlier than 30 June would afford members an opportunity to make agency comments and would permit revisions occasioned by EDIC activities between now and that date.

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Attachment

Third Annual Progress Report

D/E/RR:JAG:gg

Distribution

1 - Acting Chief, D/E/RR

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EDIC/R-2 (Draft)
Control No.
7 June 1955

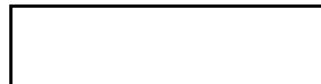
MEMORANDUM FOR: Economic Defense Intelligence Committee

FROM : Executive Secretary, EDIC

SUBJECT : Transmittal of Draft "Third Annual Progress Report
of the Economic Defense Intelligence Committee"

1. Attached for review and comment is a draft of the "Third Annual Progress Report of the Economic Defense Intelligence Committee."
2. Members are requested to be prepared to indicate their approval, or to suggest revisions in the document, at an EDIC meeting tentatively scheduled for 30 June 1955.

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Attachment

Draft "Third Annual Progress Report of the Economic Defense
Intelligence Committee"

Distribution

Cat. D - (All)

S-E-C-R-E-T

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EDIC/R-2 (DRAFT)
Control No.
7 June 1955

ECONOMIC DEFENSE INTELLIGENCE COMMITTEE
THIRD ANNUAL PROGRESS REPORT

1 July 1954 - 30 June 1955

I. INTRODUCTION

The Economic Defense Intelligence Committee (EDIC), formerly the Intelligence Working Group (IWG) completed three years of operation on 30 June 1955. The name "Intelligence Working Group" was changed to "Economic Defense Intelligence Committee" on 26 October 1954 to reflect more accurately the mission and functions of the unit. The EDIC continues to be responsible under its Terms of Reference ^{1/} for arranging the mobilization of intelligence resources and data to meet the needs of the Economic Defense Advisory Committee (EDAC), for recommending measures designed to improve the collection of economic defense intelligence, and for providing a forum for review and production of intelligence to meet the requirements of the economic defense program. Specific activities under these Terms of Reference are cited at appropriate points in the text.

^{1/} The IWG was established at the request of the Director of Mutual Security and the Secretary of State, and with the approval of the Director of Central Intelligence and the Secretary of Defense. Its Terms of Reference were approved by the IAC on 25 July 1952 (IAC-D-53/1, revised by IAC-D-53/3.1 of 25 February 1953).

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II. SUMMARY OF ACTIVITIES

EDIC began its third year of operations as the comprehensive 1954 COCOM security list review was drawing to a close. During July and August of that year the EDAC community was preoccupied with providing intelligence and technical support to the U.S. Delegation (USDEL) at Paris. EDIC facilities were not used in the preparation or coordination of this material. Following completion of the list review (and decontrol of approximately 50 percent of formerly controlled items) EDIC considered the need for assessing the adequacy of the intelligence furnished the USDEL and for improving the quality of future commodity intelligence contributions, both from an organizational and intelligence production standpoint.

To minimize the effects of decontrol, EDAC agencies then undertook to strengthen enforcement measures, including more effective utilization of intelligence to prevent movement to the Soviet bloc of those items which remained under international control. At about this same time EDAC recognized the need for more careful study of the intensified Soviet trade drive which, in part at least, had accounted for Western European pressure for relaxation of controls. EDIC took an active part in both these efforts,

Although sixteen EDIC meetings were held during the year the period was marked by a disturbing decline in employment of EDIC facilities for both the production and channelling of economic defense intelligence to

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EDAC. There became apparent an imperative need for more effective programming of intelligence research to meet rapidly changing economic defense requirements. Consequently, toward the close of the year an EDIC Subgroup on Functions and Operations was established to assess EDIC capabilities and shortcomings, and both action and intelligence elements of EDAC made a conscientious effort to establish more satisfactory arrangements for the scheduling and production of economic defense intelligence.

III. EDIC ACTIVITIES: July 1954 - June 1955

A. Intelligence Support for Commodity Negotiations

1. Assessment of Adequacy

During its first two years of operation, the EDIC produced a volume of reports on the strategic significance of particular commodity items to the war potential of the Soviet bloc. These reports were of value to the U.S. Government in its continuing review of the security lists and to the U.S. Delegation to COCOM in that Committee's negotiations on strategic ratings.

In the spring of 1954 an accelerated program was undertaken in Washington for the review of such ratings as a result of pressure from other COCOM participants for relaxation of trade controls against the Soviet bloc. As pointed out in this Committee's previous annual report, the EDIC provided the "principal support channel to the Joint Operating Committee in this respect prior to the acceleration

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of the security list review." As the security list review increased in tempo, EDIC facilities were not used for the production and coordination of intelligence required by the USDEL because of the ad hoc character of this accelerated review.

When the tempo of hectic activity had subsided (following the decontrol action of 16 August) EDIC sought to determine why the intelligence community, generally, had been unable to provide the type of support which the USDEL felt it required. EDIC considered also the establishment of a permanent record of the intelligence contributions made to JOC during the list review, which could serve as a "known universe" from which subsequent commodity analysis could proceed. It was concluded that an interagency effort toward this end was not warranted but CIA subsequently compiled a "black book" of "spot" commodity intelligence contributions made to JOC in the course of the review.

In the course of discussing the adequacy of intelligence provided the USDEL to COCOM, members representing action agencies pointed out that the method of assembling intelligence for COCOM presentation was not satisfactory and resulted in a product which in many cases was not persuasive in negotiation. The need for better coordination among the intelligence agencies, the JOC and the USDEL in the presentation of intelligence was emphasized so that future intelligence on commodities would present a more balanced picture of Soviet capabilities and deficiencies.

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Intelligence, on the other hand, pointed out its responsibilities to serve a variety of "elamorous customers" and the limitations on its ability to fill all the intelligence needs of the economic defense program. Intelligence representatives emphasized, particularly, the difficulties involved ⁱⁿ providing intelligence to satisfy the specificity of commodity list negotiations.

Both intelligence and action elements of the ED-C community gained a new appreciation of the other's problems. Action agencies learned that intelligence is not an inexhaustible storehouse that can be tapped on short notice by the "push of a button." They were impressed with their responsibility to place upon the intelligence community well-conceived, specific and realistic requests. Intelligence agencies gained a new awareness of the importance of sound and timely intelligence for purposes of international negotiations, although the results of the CECOM negotiations proved conclusively that adequate intelligence support was but one element in achieving U.S. objectives. The most constructive result of these discussions, insofar as they concerned improvement of EDIC operations, was an appreciation of the need for effective programming of intelligence research to meet the ad hoc requirements of the economic defense program.

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2. Review of OIR Economic Defense Staffing Program

In order to provide more effective intelligence support to EDAC operations, OIR/State undertook in June 1954 to establish a special Economic Defense Staff which would perform research, analysis and coordination of economic defense intelligence. A revision of OIR's earlier proposal was distributed as ED/EC D-60/1 in September 1954 and approved in principle by the EDAC Executive Committee. This paper provided that project requests for intelligence research would normally be initiated through the IAG and might be proposed by any EDAC agency or working group but that "urgent spot requests need not be initiated through the IAG". It provided also that OIR project contributions would "be referred to the IAG for review and comment." Papers produced in response to urgent spot requests could be furnished directly to the requester but copies were to be sent to IAG "so that IAC agencies may be informed of such contributions."

EDIC approved the OIR proposal and received a statement of assurance from the Chairman of the Executive Committee "that EDAC requests for intelligence research will normally be directed to the intelligence agency primarily responsible in accordance with DCID 15/1." ^{2/} The Department of Defense accepted the OIR proposal on the basis of this assurance and on the condition that it would have an opportunity to review OIR economic defense contributions through the EDIC mechanism.

^{2/} DCID 15/1 provides for a division of labor among the several IAC agencies with respect to "production and coordination of foreign economic intelligence relating to the national security." It recognizes, also, the need for "continuing interagency liaison and cooperation" in areas of common or overlapping interest.

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This agreement (and establishment of the staff in OIR/State) has had a special significance for EDIC operations. OIR has not generally referred its project contributions to EDIC "for review and comment" nor have copies of papers produced in response to urgent spot requests been sent to EDIC "so that IAC agencies may be informed of such contributions". Only two OIR reports, in finished form, have been furnished for EDIC review. Copies of other OIR reports have been furnished "for EDIC distribution". At least part of the decline in EDIC activity during the past year is attributable, therefore, to the fact that the provisions of ED/EC D-60/1 have not been observed. In June it was agreed that EDIC distributions of OIR reports might be discontinued.

This move on the part of OIR to improve support for EDAC was typical of several efforts to minimize the effects of decontrol by strengthening enforcement of controls. The U.S. Government sponsored the TAC (Transit Authorization Certificate) scheme both in COCOM and through bilateral negotiations. Conferences of EDA's (Economic Defense Officers) were held in Europe and the Far East to permit an exchange of ideas on more effective enforcement measures.

As a phase of this emphasis on enforcement, but more directly related to the consequences of COCOM decontrol action, EDIC was requested to undertake an intelligence surveillance of decontrolled commodities.

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3. Surveillance of Decontrolled Commodities

In July 1954, it was apparent that action agencies would need such information in tracing the movement of these items to Soviet bloc destinations and in assessing the effects of decontrol on the export control program. It was considered important to watch such renewed trade to determine the extent and magnitude of sales and the benefit derived by the Soviet bloc economy. The magnitude of the problem was highlighted by the placing of large Soviet orders in Western countries for copper wire and boring machines.

An EDIC subgroup was assigned the task of determining which items moving in West-East trade should be kept under surveillance and of devising ways and means of obtaining information on such trade. The Joint Operating Committee (JOC) subsequently prepared the desired list of significant items. The Department of Commerce then furnished the Department of Defense with the names of manufacturers of deleted items. Defense has undertaken to obtain information on West-East trade in listed items from any firms on the Commerce list which hold EDAP contracts. After the results of the Defense inquiry are made known, the Department of State will make a special intelligence collection effort on selected items of particular importance. Participating countries in the Coordinating Committee (COCOM) at Paris have already been requested to consider special statistical reporting on shipments to the Soviet bloc of decontrolled I/L I and II items.

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Difficulties stand in the way of obtaining the type of information required under this project: the COCOM members have indicated their reluctance to make a special reporting effort; little information can be expected to result from the Defense effort since officers assigned to the MDAP plants are not necessarily conversant with trade in materials produced by these offshore contractors; the "basket" categories of trade statistics made available by Commerce do not provide the specificity required in tracing movements of decontrolled commodities; and, CIA facilities are not oriented to provide the desired data without heavy expenditure of manhours. EDIC appreciates, however, that the Dodge Council on Foreign Economic Policy (and the U.S. Government, generally) will require information on the consequences of COCOM decontrol action for East-West trade policy determinations.

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against re-orders*

It has been observed that decontrol has not been followed by the expected large-scale increase in East-West trade, although trade has risen over earlier levels. The Soviet bloc, to the contrary, has actually cancelled certain of its Western orders, principally for consumer-type goods. It is important to note that only a few orders for heavy industrial machinery and related items have been cancelled and that the Soviet have intensified their program for increased armaments production. In the meantime, the Soviet bloc has enjoyed a

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propaganda advantage through the original placing of orders for decontrolled items. Such placing and cancellation of orders is interpreted by EDIC as deliberate moves by the Soviets in their continuing battle against the export security lists.^{2/}

The EDAC community has sought continually to improve collection of economic defense intelligence needed for purposes of commodity negotiations, trade policy determinations, and implementation of enforcement measures. It will be recalled that NSC 152/3 placed increased emphasis on improving the availability and utilization of current intelligence in matters relating to enforcement of free world controls. EDIC has a special mission in this field since under its Terms of Reference it is responsible for recommending to appropriate agencies collection requirements designed to fill specific gaps in available intelligence. The following section describes EDIC efforts during the year to improve the collection and utilization of intelligence, primarily for enforcement purposes.

^{2/} EDIC authority for supporting commodity negotiations is found in its Terms of Reference which assign to EDIC responsibility for arranging the mobilization of intelligence resources and data relevant to EDAC needs.

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B. Intelligence Support for Enforcement

1. Collection of Economic Defense Intelligence

The 1954 annual EDIC(IWG) report suggested that "improved intelligence collection is an urgent matter in terms of the needs for information required to implement NSC 152/3". The absence of priority for the covert collection of economic defense information was cited as an underlying cause for inadequate intelligence to serve the needs of EDAC.

The publication of DCID 4/3 and 4/4 (approved by the IAC on 14 December 1954) has rectified this situation through inclusion of economic defense subjects in the revised list of Priority National Intelligence Objectives. The several intelligence members of EDIC now have IAC sanction for collection of intelligence regarding: "major Soviet international political objectives and courses of action, including economic policies and actions"; the character of the Soviet economy "with particular reference to its ability to support a major war"; "Soviet and Satellite scientific and technical strengths and weaknesses affecting Soviet economic and military capabilities"; and, "the strengths and weaknesses of the Chinese Communist economy." Collection of intelligence on these subjects, which are of direct interest to economic defense, will assist in effective prosecution of the security controls program.

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Surveying the status of intelligence collection, EDIC agreed in April discussions that CIA collection of enforcement intelligence was the principal problem in this field. To remedy this situation, CIA initiated a special project with the objective of filling critical gaps in the collection and reporting of information required to carry out the responsibilities of the several agencies cooperating in the economic defense program. An Economic Defense Intelligence Reporting Guide was prepared as a means of informing agency officials and staff of the nature and scope of intelligence information which is needed to support U.S. economic defense programs and policies. This guide will place collection personnel in a position to receive, evaluate and effectively implement future requirements for economic defense support. The Guide provides background on the basic authority, organization and objectives of the program; and outlines general requirements for information on East-West trade, Soviet economic penetration, and formulation of the foreign economic policies of the Soviet bloc.

2. Utilization of Economic Defense Intelligence

a) The intelligence process involves not only collection of information but measures to insure that information once collected is made available to action and policy agencies. A specific intelligence item - that on Communist Chinese attempts to procure life belts

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in large numbers - sparked an EDIC inquiry into the status of action agency intelligence requirements and the flow of intelligence to satisfy these needs.

EDIC determined that through such mechanisms as the Diversion Control Net (DCN), enforcement intelligence is collated, analyzed and transmitted from intelligence to action agencies. Within their respective spheres of responsibility, intelligence agencies also provide to action agencies material other than enforcement intelligence. The problem before EDIC was that of determining how effective and timely is the distribution of other current economic defense intelligence and of whether the needs of action agencies have been adequately expressed to intelligence agencies.

Concluding a series of discussions on the subject, EDIC accepted a statement (ref: EDIC/AM-4, dated 8 February 1955) which declared that "distribution of intelligence from CIA and State to action agencies was already being adequately handled." This statement indicated, further, that adequate requirements for intelligence had been submitted by the departments of State and Commerce to the military intelligence agencies. As a result of the EDIC survey, FOA/MDAC submitted its requirements to the military services, correcting a deficiency which had previously existed.

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b) Another EDIC project involving utilization of intelligence concerned the MDAC proposal in August for establishment of a central staff responsible for assembly and publication of fragmentary cargo data. Such information was considered essential for enforcement purposes.

This request was prompted by the fact that, due to budget and personnel reductions, ONI had been forced to discontinue circulation

25X9 [REDACTED] although that Office had continued to record such information. To insure that action agencies would continue to receive this vital information, consideration had been given to allocation of MDAC funds to enable ONI to continue the production and circulation of these reports. Since funds could not be made available for this purpose EDIC was asked to review MDAC requirements for shipping and cargo data (ref: IWC/AM-22 of 4 August 1954).

In this paper, MDAC outlined its needs which included: monthly

25X9 [REDACTED] "all information available to the U.S. Government on both subjects"; and, servicing of ad hoc requests from EDAC agencies for special compilations and analyses based on information available in ONI files.

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At an EDIC-sponsored meeting of 16 August ONI agreed to



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[redacted] MDAC, for its part, would propose to appropriate agencies measures necessary to insure the prompt receipt of ONI of all relevant information available to the U.S. Government.

EDIC reviewed the results of this meeting and agreed that these assignments of responsibility were consistent with the provisions of DCIC 15/1 which assigns to ONI the bulk of responsibility for this category of intelligence support. CIA's responsibility in this field, and its collaboration with ONI in production of [redacted] intelligence, was acknowledged. Although EDIC concluded that no organizational support problem existed in this area of intelligence activity, it was noted that [redacted] intelligence was still not adequate. [redacted]

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c) In April 1954 the Secretary of Defense had requested the Secretaries of the Army, Navy and Air Force (and other Defense elements) to assist OSD (International Security Affairs) "in connection with multilateral consideration of East-West trade control problems."

In August the Secretary reviewed the results of COCOM descontrol action and pointed out that "the Department of Defense has a primary interest in retarding to the maximum extent possible the present and future growth of the Soviet bloc war potential." He requested an indication of the contribution which the several elements of the Department of Defense could make to the various projects in the export control program.

In response to this directive, the three military intelligence agencies prepared intelligence collection guides to their respective attaches abroad, which outlined the U.S. economic defense program pertaining to East-West trade controls and focused attention to reporting intelligence related to this program. EDIC did not participate directly in this program but did encourage its speedy completion and implementation.

Implementation of this program of acquisition and lateral dissemination by the services may be expected to increase the flow to EDAC agencies of intelligence of the type enumerated in the Secretary's memorandum of 20 August, including information on : movement of strategic goods to the Soviet bloc; enforcement of transportation (shipping, land, air) controls; the Administrative Action Program; controls over trade with Far Eastern Communist areas.

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C. Intelligence Support for Analysis of Soviet Trade Tactics

EDIC focussed continuing attention during the past year to the problem of Soviet trade trends and tactics. This Committee's previous annual report indicated EDIC interest ⁱⁿ appraising these tactics and described the Consultative Group resolution of April 1954 to devote increased attention to this subject. To support this CG effort, FOA/MDAC in December 1954 proposed that EDIC participate in the preparation of a paper on Soviet Bloc exportation of petroleum which would emphasize trade policy and tactics aspects of such sales and offers. EDIC reviewed an OIE/State paper on the subject which is to be brought up to date incorporating estimates of future Soviet capabilities for production and export of petroleum and petroleum products before being submitted for CG consideration.

Another aspect of the trade tactics problem occupied EDIC attention during April and May. CIA suggested the need for examining the pattern of Soviet bloc strategic exports in view of the bloc's export of certain I/L-I items to the West. EDIC undertook to review such trade with a view to detecting possible significant changes in commodity composition, amount, or Western countries involved. EDIC had participated in an earlier study on Soviet bloc export of manganese, chrome, platinum and palladium.

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It is anticipated that EDIC will continue its efforts to identify the main objectives of the Soviet trade drive. There is an urgent need for intelligence work in this field because of the implications on the Free-World should the Soviets achieve their objectives. During 1954 these objectives appeared to have been: disrupting Western unity or cooperation in the foreign trade field; enlarging the area of Soviet economic contact with underdeveloped countries of the world; and, developing Soviet bloc strategic strength and economic independence by obtaining access to industrial raw materials and manufacturers.

D. Other Major Intelligence Contributions

1. Downgrading of OS/COCOM/CHINCOM Documents

In 1953 the Department of State urged the Executive Committee and the UNDEL to undertake measures leading to the downgrading from Secret to Confidential of communications and papers relating to economic defense matters, including OS/COCOM/CHINCOM documents. The Executive Committee and cognizant Government departments considered this problem without success during 1953 and 1954. In November 1954 the UNDEL suggested that EDIC examine from the intelligence standpoint the downgrading of C/C/C documents. It was recognized in Washington, however, that EDIC could not undertake this assignment since each

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individual agency was obliged to discharge this responsibility under its own regulations and within its own area of competence. With a view toward protecting intelligence sources and methods, CIA undertook to meet the USDEL request. The EDIC Secretariat identified thirteen categories of documents, established criteria to determine their classification as either Secret or Confidential and in May completed the item-by-item review of 3,094 C/C/C documents. The failure of other EDIC agencies to participate in the document review was a matter of concern to CIA. The USDEL, in the meantime, approved the new COCCM security system which became effective 4 April 1955. The CIA position on downgrading of C/C/C documents was transmitted to the Chairman of the Executive Committee in May and is currently under consideration by the Executive Committee.

2. Intelligence for China Controls

Security controls toward Communist China have long constituted a knotty problem for the EDIC community. The decontrol action of August 1954 accentuated this situation, particularly the then-existing problem of "differential controls". In December 1952 EDIC(DMG) established a Subgroup on Far Eastern Economic Defense to meet a request for information concerning the probable impact on the Chinese Communist economy which would result from denial of certain commodities. A paper on "Material for Use in China Committee" was produced in February 1953. EDIC again became involved in September 1954 when it was advised of intelligence support being furnished directly to

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EDAC by CIA and OIR/State (no additional requests had been levied on EDIC subsequent to publication of referenced paper).

At monthly meetings from September 1954 through June 1955 EDIC was kept informed of intelligence support being rendered outside EDIC channels to agencies responsible for action and policy determinations in this field. During the first quarter of 1955 OIR/State and OIR/CIA papers, expressing the views of those agencies on criteria to be used in review of the China List, were circulated in EDIC. The earlier intent to have EDIC review a joint CIA/State paper on this subject was abandoned. The subject of China List criteria is now being incorporated in an evaluation of the economic defense program being prepared for the Dodge Council on Foreign Economic Policy. The EDIC subgroup was dissolved in March 1955 since neither intelligence nor action agencies had used it for purposes of continuing intelligence support.

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IV. IMPROVING INTELLIGENCE SUPPORT FOR ECONOMIC DEFENSE

A. Programming of Research Requirements

The second annual EDIC report called attention to the substantial improvement which could be effected in intelligence support for economic defense if the Executive Committee would undertake, in collaboration with EDIC, advance programming and planning of EDIC intelligence needs. An ad hoc committee was subsequently established under State chairmanship to formulate research requirements on the basis of the [] report entitled "Soviet Economic Trends and Their Implications for East-West Trade."

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EDIC considered this problem during the latter part of 1954 and early in 1955. In September EDIC was informed that it would receive from the Executive Committee a statement of meaningful research requirements, based on the [] report and its evaluation, for discussion and allocation of agency production responsibilities. In the meantime the State ad hoc working group and EDIC collaborated with intelligence agencies in an effort to formulate a program of research requirements.

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By April it was felt that EDIC should take a more active part in this program. EDIC action has been postponed, however, pending completion by the working group of its project. This group was established with the specific intent of making action elements aware of their responsibilities for programming research requirements.

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B. Appraisal of EDIC Accomplishments and Deficiencies

This annual report reflects the decline, in contrast with earlier years, of EDIC activity during the past year. There was a marked decrease in the number of "cases" and reports prepared by EDIC. EDIC facilities were not employed furthermore, by EDAC in the production and coordination of intelligence relating to several major areas of economic defense activity. Disturbed by this trend, the EDIC Secretariat in April 1955 prepared a "Balance-Sheet of EDIC Accomplishments and Shortcomings under its Terms of Reference" (ref: EDIC/US-10). A subgroup on EDIC Functions and Operations was established to review this paper and make recommendations to EDIC for improvement of the Committee's operations.

EDIC is responsible for arranging "mobilization of the economic data and analysis relevant to appropriate needs of the EDAC." Accomplishment in this assigned activity is reflected in the initiation of "cases" in which EDAC makes its needs known. Between July 1952 and January 1954 a total of 75 "cases" were considered. Only 12 requests in the form of "cases" have been levied on EDIC during its third year of operation. EDIC produced only two coordinated intelligence reports during the past year in contrast to 19 reports listed in the second annual report.

Particularly disturbing was the bypassing of EDIC facilities in production and coordination of commodity intelligence for use in the 1954 COCOM security list review; and, intelligence for use by the Far

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Eastern Economic Defense Working Group (EEDWG) of EDAC in its China List policy determinations. The provisions of ED/EC D-60/1 were not consistently observed in production and coordination of support papers. Finally, EDIC in June declined to undertake an OSD request for a study on the impact of Free-World trade controls on the China-Soviet bloc. This study was desired in connection with the current review of the economic defense program by the Dodge Council on Foreign Economic Policy. (It should be noted that sufficient time was not available for EDIC to produce a study of this magnitude, this request having been received at the so-called eleventh hour.) CIA undertook, nevertheless, to furnish direct support to OSD in response to its request. The subject matter of this request is one specifically mentioned in the memorandum of 22 April 1952 from the Director of Mutual Security to the Director of CIA which proposed the establishment of D-G (EDIC). This memorandum emphasized the need of ODMS (now FEA/MDAC) for intelligence to support the economic defense program, particularly in regard to: "the effects of our control program on the Soviet bloc, and efforts and measures made to evade controls."

The EDIC Subgroup has yet made no recommendations for improving Committee operations. Several member agencies have observed, however, that adequate intelligence support is being received by action and policy agencies directly from CIA and CIR/State. These members have questioned the need for the EDIC mechanism in view of this satisfactory bilateral support.

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It is not possible at this time to forecast the role of EDIC in the coming year in view of the re-allocation of economic defense responsibilities which will result from the changed status of POA at the end of this fiscal year. It is CIA's intent, however, to encourage the use of this facility since it is believed that EDIC can make an even greater contribution to the economic defense program through more active participation in both the programming of intelligence research for economic defense and in the production of coordinated intelligence. Furthermore, it is felt that EDIC can serve effectively as the intelligence "catalyst" in time of emergency provided its capabilities are fully developed and exploited in the present "cold war" situation.


Executive Secretary

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TAB A

List of All EDIC Completed Studies

1 July 1954 - 30 June 1955

<u>Designation</u>	<u>Title</u>	<u>Date Issued</u>
DG/1-19	Second Annual Progress Report of the Intelligence Working Group	1 September 1954
DG/1D-32	"China's Trading Agency in East Berlin	19 July 1954
EDIC/1-1	Final Report on "Soviet Production of Japans"	17 February 1955
EDIC/1D-9	CIA/AFGIM/OIR Statement on "Strategic Significance of India to the Soviet Bloc"	9 December 1954

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TAB B

List of All Information Documents Distributed

<u>Designation</u>	<u>Title</u>	<u>Date Issued</u>
ING/ID-33	OIR Intelligence Report on "Significance of Soviet Bloc Petroleum Shipments to the Free World, 1952-1954"	4 Aug
ING/ID-34	ONI Contribution - Sale of Tanker to Communist China	28 Sep
ING/ID-35	ONI Contribution - Polish-Flag Merchant Ships Believed Owned by Communist China"	4 Oct
ING/ID-36	OIR Intelligence Report on "Recent Developments in Soviet Bloc Trade with South Asia"	11 Oct
ING/ID-37	ONI Contribution - Shipment of Life Belts to Communist China	11 Oct
EDIC/ID-1	ONI Contribution - Communist China Trade and Soviet Bloc Merchant Ships	29 Oct
EDIC/ID-2	Translation of Article Revealing Finnish Communist Plans to Use Eastern Trade for Political Purposes	2 Nov
EDIC/ID-3	Soviet Procurement of Technical Data, Models and Prototypes in the United States	3 Nov
EDIC/ID-4	OIR Intelligence Report on "Current Trade of West Berlin Electrical Industry with East Germany"	3 Nov
EDIC/ID-5	ONI Contribution - Soviet Bloc Merchant Ships Bunkering and Loading Cargo at Balikpapan	10 Nov
EDIC/ID-6	OIR Intelligence Report on "West European Exports of Copper Wire and Cable to the Soviet Bloc"	1 Dec

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EDIC/R-2

TAB B (Cont'd)

<u>Designation</u>	<u>Title</u>	<u>Date Issued</u>
EDIC/ID-7	ONI Contribution - Arms Shipment to Communist China	7 Dec
EDIC/ID-8	Comments on Security Trade Controls and Conditions in Soviet Satellites	8 Dec
EDIC/ID-9	ONI Contribution - Finnish Merchant Ships for Communist China	10 Feb
EDIC/ID-11	ONI Contribution - Soviet Bloc and Non-Bloc Vessels Calling at the Port of Balikpapan, Borneo	18 Feb
EDIC/ID-12	CIA Contribution - Russian Ship Orders <div style="border: 1px solid black; height: 15px; width: 100%;"></div>	17 Mar
EDIC/ID-13	CIA Statement on "Exports of Capital Equipment and Industrial Materials from the Soviet Bloc"	27 Apr

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Note: In addition to the foregoing listed Information Documents, the following CIR intelligence reports were distributed informally to EDIC:

<u>Designation</u>	<u>Title</u>
IR - 1742	Basic Factors in Free World Shipping and Shipbuilding of Significance to the Strategic Controls Issue
IR - 6450.2	Foreign Reaction to the Fifth Battle Act Report
IR - 6527R	West Germany's Trade Expansion
IR - 6649	Recent Developments and Future Prospects of Japanese Trade with Communist China

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EDIC/M-2

TAB B (Cont'd)

<u>Designation</u>	<u>Title</u>
IR - 6675	Trade Relations Between Egypt and the Soviet Bloc
IR - 6762	Current Studies on Certain Aspects of East-West Trade
IR - 6836	Near-Term Outlook for Free World Copper
IR - 6856	Recent Trends in East-West European Trade

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IR - 6864	Recent Indications of Change in Soviet Trade Policy
IR - 6880	Recent Sino-Soviet Economic Efforts to Penetrate Non-Communist Asia
IR - 6890	Soviet Foreign Trade: Policies, Performance, and Prospects

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TAB C

List of Cases Closed, Other Than by Completed Study

1 July 1954 - 30 June 1955

Designation

Title

DOG Case 7

Collection Requirements on East-West Trade

DOG Case 36

Intelligence Data for U.S. Delegate to CHINCOM

DOG Case 56

Proposed Study of Soviet Trade Activities and
Tactics in Non-COCON Areas

DOG Case 76

Intelligence on Trade in Decontrolled Commodities
(superseded by EDIC Case 9)

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TAB D

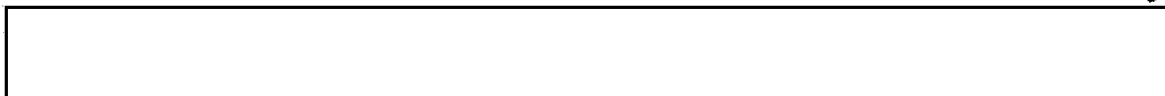
Cases Pending, 30 June 1955

Designation

Title

EDIC Case 3

Soviet Trade Trends and Tactics: Soviet Bloc Exportation of Petroleum (Draft Paper for SOCOM Presentation)



EDIC Case 5

Pending Bloc Shipbuilding Orders

EDIC Case 6

Information on Firms Reportedly Purchasing and Operating Ships for Communist China: (a) (b)

EDIC Case 7

Export of Ortho-Toluidine to Communist China

EDIC Case 8

Soviet Bloc Use of Borax Products (Boric Acid and Borate - I/L 3715) for Rocket Fuel and Other Jet Plane Application

EDIC Case 9

Intelligence on Trade in Decontrolled Commodities

EDIC Case 10

Pattern of Soviet Bloc Strategic Exports to the West

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